

20/11/30/

**January 2018**  
**Master of Business Administration (MBA) Examination**

(Full Time) (New) Third Semester  
**FT-305F : TAX PLANNING AND MANAGEMENT**

Time 3 Hours]

[Max. Marks 80

**Note :** Attempt any two questions from Section A which carries 20 marks. Each question carries equal marks in this section. Attempt any three questions from Section B which carries 60 marks. Each question carries equal marks in this section.

**Section A**

1. Define 'Assessment' Year and 'Previous Year'. "Income of the previous year is chargeable to the immediately following assessment year." Is there any exception to this rule ? Explain.
2. Discuss the important points for Tax Planning in respect of Profits and Gains of Business or Profession.
3. Write short notes on any two of the following :
  - (a) Residential Status and Incidence of Tax.
  - (b) Tax Deduction at Source.
  - (c) Filling of Returns.
4. What do you understand by 'Advance Tax' ? How is it computed ? Discuss the provision of Income Tax Act regarding its payment.

**Section B**

5. Following are the particulars related to Mr. Rohit Bhattnagar for the previous year 2016-17 :

Particulars	Amount (Rs.)
Interest on Fixed Deposit in Bank	9,000
Royalty	30,000
Dividend on Shares of Indian Company	10,000
Winnings from Lotteries (Gross)	45,000
Income from Horse Race	5,000
Income from Foreign Agricultural Land	15,000
Interest on Post Office Savings Bank Account	2,750
Card-game Income	9,000
Income from Sale of Shares	16,000
7.5% Tax Free (u/s 10(15)) Indian Government Securities	9,000

He purchased lottery tickets worth Rs. 2,000, paid Rs. 150 commission for collection of dividend and expenses related to royalty Rs. 1,000.

For the Assessment Year 2017-18 compute his Income from other sources.

6. Mr. Praveen is owner of two houses of same category. Particulars of houses are as under :

Particulars	House A	House B
House Construction Date	01-08-1996	01-08-1999
Expected Rent	Rs. 24,000 per month	Rs. 24,000 per month
Interest on Loan taken for House	Rs. 82,000	Rs. 1,76,000
Municipal Tax	10%	15%

Which house should be chosen for self-residence and which for rental purpose ? He estimates Taxable Income from Business is Rs. 4,00,000 for the Assessment Year 2018-19.

7. Mr. Raj Jain was offered on 1st April, 2017 for the post of sales manager by two companies of Sugar population on between 10 to 25 lacs at the following remuneration :

Particulars	Amount (Rs.)	Amount (Rs.)
Salary	7,20,000	7,08,000
Dearness Allowance	1,20,000	96,000
		(under the terms of employment)
Bonus	-	60,000
Entertainment Allowance	6,000	10,000
(Actual Expenses Estimated Rs. 4,000)		-
House Rent Allowance (Actual Rent Rs. 1,600 per month)	1,200	18,000
Rent Free House	-	-
Free Education Facilities	8,000	-
Education Allowance (Actual Expenses for the Education of Three Children Rs. 6,000 Per Annum)	-	7,200
Reimbursement of Medical Bills	12,000	12,000
Medical Allowance (Actual Expenses Rs. 12,000)	-	-
Free Lunch	6,000	6,000
Free Refreshment	-	-

Which Company's proposal should he accept for the Assessment Year 2018-19 ? Professional Tax will be payable Rs. 2,500.

8. Mr. Pankaj Karva purchased one residential flat in 1986-87 at the cost of Rs. 30,000. He sold the same during the financial year 2016-17 for Rs. 8,50,000. She did not own any other house. Out of the sale proceeds, she bought another house for Rs. 2,88,000 and invested Rs. 2,00,000 in bonds directly issued by NHAI to him within 6 months from the date of sale of house U/s 54EC.

- (a) Is he liable to capital gain tax ? and  
(b) If yes, how much more he should invest in bonds of NHAI to avoid payment of any tax.  
[Cost Inflation Index - 2016-17 (1125) and 1986-87 (140)].

9. Mr. Ram Mohan is wholesale Cloth Merchant. For the year ending 31st March, 2017 his Profit and Loss A/c is as follows :

Particulars	Amount (Rs.)	Particulars	Amount (Rs.)
Salary	29,000	Gross Profit	3,68,700
General Expenses	5,800	Discount Received	5,800
Household Expenses	4,700	Interest on Securities	3,000
Stationery	1,500	Interest from Customers	2,500
Interest on Capital	3,000		
Insurance (Goods)	400		
Life Insurance	2,800		
VAT Tax	6,000		
Advance Income Tax	10,000		
Advertisement	1,000		
Shop Tent	12,000		
Net Profit	3,03,800		
<b>Total</b>	<b>3,80,000</b>	<b>Total</b>	<b>3,80,000</b>

Prepare Mr. Ram Mohan's Income Statement keeping in mind following additional information:

- Mr. Ram Mohan is running his business in building of his ownership for that he has debited rent Rs. 12,000 in the books. Cost of the building is Rs. 1,50,000 in the opening of the previous year.
- Depreciation on Plant and Furniture is Rs. 6,000, which was not recorded in P and L A/c.
- General Expenses included donation to an educational institute Rs. 1,500 and Rs. 700 to Cloth Merchant Association.
- Income Tax Rs. 2,500 is unpaid.
- Mr. Ram Mohan and his two sons take active part in business but they are not paid any salary, while the employee for such work will take Rs. 3,000 per month.

Give proper advice as a tax consultant. According to the advice compute the Profit and Gains of Business and Profession, assuming that he has no any other business and profession.